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I am delighted to enclose The Children's Mutual's response to your call for evidence to assist in your review of generic financial advice. We are passionately committed to supporting improvements in financial capability and education and as such we are encouraged that your review is taking place and are keen to do all we can to help.

We have answered your questions as far as we can but you will note that we are not a provider of "regulated advice" so as such we have not, generally speaking, answered the questions about advice services.

We think three things are of vital importance :-

1. Whilst we support the establishment of a (supply side) generic advice service, we believe it is equally as important if not more important to ensure that energy, commitment and resource is put into a (demand side) national awareness campaign. Such a campaign should be hard-hitting and sustained. Without this the advice service will have no-one to advise.
2. We urge that solutions are not crafted by Government, Officials and 'financial services' people on a 'we know best' basis without proper and comprehensive research amongst consumers.
3. We are concerned about the focus given to providers of financial services and products in almost all financial capability contexts. Other industries would benefit from having more "financially savvy" customers but more importantly consumers would derive more benefits in more areas.

We are at your disposal to help in any way we can. If meeting to discuss our views would be helpful please do let me know.

Kind regards and good luck!

Yours sincerely

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Thoresen Review of Generic Financial Advice: Call for Evidence

A Response from The Children's Mutual

STRATEGIC ISSUES

A. What is happening today, how and to whom?

These questions aim to find out what is currently available to help people manage their personal finances in the broadest sense. This includes advice on benefits and debt advice, as well as advice on product markets or specific products. The Review Team is also interested in evidence on similar services, delivered commercially or by the public or voluntary sector.

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

1. There is an enormous range of different sources of advice on offer. Institutions such as banks, building societies, life assurance companies and friendly societies will all help consumers and customers. The IFA community exists to offer regulated advice and the FSA Financial Capability Strategy is starting to take hold in innovative ways – e.g. workplace seminars and ‘the parents file’. In addition, nowadays, there is a host of websites available ranging from the financial end of the community, such as the FSA, to the more journalistic such as Motley Fool, Moneysupermarket etc. However whilst these sources of help might exist, there is evidence that many of them are not “trusted” at present and furthermore whilst essentially they are available to all, they are only **used** by those who are engaged. This latter point about lack of engagement will form a key theme in this consultation response.

2. At this juncture we want to make two key points that will be a theme throughout our response.

3. We are encouraged that the Review recognises the difficulties caused for consumers (and firms) by the way in which regulation dictates the use of the word **‘advice’**. For consumers advice often means ‘can you help me?’ or ‘can you answer this question for me?’ If, through this review, regulators and firms are able to come to a more sensible use of language it will be a major breakthrough. One of the reasons people shy away from financial planning is that they are bamboozled by the terms and jargon (a theme to which we will return) in the event that they actually *try* to engage in the process. ‘I’m sorry I can’t give you advice’ is often heard said by financial services staff way too early in a dialogue – no wonder people are put off!

4. It is our contention that the most important thing this review can establish is to understand why people, particularly those on lower incomes, seem unprepared to plan ahead with their finances and engage in dealing with the less tangible aspects. We fully support the Review’s task of recommending what a generic advice service should look like but we think all efforts will be rendered worthless if we do not put as much effort into fomenting the change in

culture needed in modern Britain that will make people *want* to consider their finances in more depth.

5. Given our views on culture change it is worth considering the way in which the Child Trust Fund (CTF) has, as far as we can see, started to change the nation's savings habits.

Since its introduction two years ago, our own experience is that :-

- The number of people saving actively (every month) for their children's long term future has doubled
- The amount being saved monthly for the children has increased by 60%

We believe that the CTF has acted as a catalyst for families to engage in something that in the back of their minds they already thought was a good idea – i.e. saving for their children's future. Of crucial importance is the fact that there are many places people can go to get their CTF related questions answered. How can this catalyst effect be spread across other areas e.g. pensions/personal accounts and how can we ensure that the 'help' is in place?

AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)

1. The CTF is available via almost 30 providers and over 100 distributors. Families can ask questions by telephone and have access to web and written support. The number of distributors means that there is information available in more than 20,000 high street places. Families can apply via post, web, or telephone.

2. We are sure other respondents to the review will provide all of the necessary data asked for in the question so rather than repeat it here we would refer you to our answer to question AS1 above and reiterate our view that it is the *use* (or lack use) of the current services that is the main issue. Without a resolution to this key point the service that results from this view could simply be another addition to the 'not used' list.

3. In terms of scope it is worth considering where 'financial capability' starts and ends. For example if a family thinks it might be better (i.e. cheaper) to stop paying for their gas by 50p meter and start paying by direct debit, to whom do they turn for advice? Indeed, what would have been the catalyst for them thinking that in the first place?

AS3. What do you believe is the most appropriate way of describing "generic financial advice" provision?

1. It is hard to resist the temptation to provide a 'snappy' strap-line type answer – e.g. "Help with Your Money", "Help You Plan Your Finances". However we believe that a clear vision of what the service will do and how it will facilitate the *engagement* of consumers should be devised before a 'descriptor' is devised.

2. In order to attempt to help with the creation of the vision we have crafted our own version of 'financial capability' might look like :-

The vision of The Children’s Mutual on financial capability is that families will be aware of the most important personal finance things that might affect them, feel they can get help from a trusted source and feel empowered to consider taking action or understand what not taking action might mean.

This confirms the view we have given above that culture change in terms of the way people think about finances and planning is of vital importance if a step-change in financial capability is to be achieved.

3. At the very least the distinction that currently exists between the use of the word ‘advice’ in its regulated form and ‘advice’ in the form that consumers understand really needs to be addressed. For example when asked for ‘advice’ employees of financial firms could give it without reservation as long as they don’t transgress the rules. FSA would have to be happy with this.

4. MiFID potentially poses a new threat with the advent of the appropriateness test. There is nothing wrong with ensuring, as far as possible, that the product is right for the customer, indeed it is to be encouraged. However we have seen a draft MiFID statement which said *“this product is appropriate for you but may not be suitable”*.

AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?

1. We don’t believe that any country has cracked getting people ‘engaged’ in planning their financial futures.

AS5. What academic and other research, UK or international, should the review be aware of that would be relevant to generic financial advice provision?

1. The IPPR book entitled “Rethinking Financial Capability”
2. Recent work by the Resolution Foundation

AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?

1. A new structure is required as is a review of the way the term ‘advice’ is used. However if a new structure is put in place, those currently giving “advice” need to dovetail and use the same language otherwise consumers will be passed from the new structure to the old and find the same problems as before.
2. We support the creation of two bodies. One to co-ordinate and oversee strategically the improvements in financial capability and education. The second would be the deliverer of the service that this review we anticipate will recommend.

B. What should the scope of a national approach to generic financial advice be?

These questions are aimed at some of the 'nuts and bolts' issues of delivering a generic financial advice (or other relevant) service: getting the content right, identifying and targeting consumers, delivery mechanisms, staffing and accreditation.

BS1. Who should generic advice aim to serve including a view on segmentation?

1. Everyone.

2. Once again it is tempting to jump into providing an answer to the question. Our recommendation is that a major piece of research work should be carried out to establish :-

- why people don't plan ahead
- what holds them back
- what would put planning their finances nearer the centre of their radar screen
- what help and support would be most useful
- what do people think of banks, financial companies and financial advisers
- who do people trust?

3. Included in the research should be reference to the great deal of work that has been done on financial exclusion and the work carried out recently by The Resolution Foundation. The latter does report on segmentation issues in that it targets a certain group but we stand by the comments made above that **everyone** needs support and that the support requirements should be researched first.

4. In essence we believe the first piece of work to be done is to try to establish a picture of what success would look like :-

- what would the financially capable consumer be doing
- what would the differences be from today
- what would be the catalyst to make it happen
- what support would consumers need?

Once these things are established we can start to piece together **how** to create the infrastructure.

BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?

1. It will be tempting to be seduced into the argument put forward by some that "there will always be some who can only ever be helped by the State, so don't try to help them".

2. No-one should be excluded from our thinking at this stage and everyone deserves support to have the opportunity to improve their life chances.

BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?

1. We refer to our earlier answer about researching the market before answering this type of question.

2. At this stage, however, we would expect that a major awareness campaign would be necessary. Government information campaigns can and do change culture, here are some of the most effective examples :-

- “Clunk-click”
- Campaign on Aids in the 80’s
- Recent very hard hitting drink/driving ads.

3. In addition, we have been very interested to see the progress of one other public interest campaign where ‘gremlins’ appear on the shoulders of those whose lives are apparently held back owing to their lack of skills in reading and writing. The risk of a campaign like this is that it embarrasses people. However we know of nothing that suggests such embarrassment has occurred. This leads us to the conclusion that hard hitting awareness campaign will be necessary to promote and engage customers in improving financial capability.

4. We think it would be useful if financial capability messages were embedded in the scripts of soap operas. Soap operas deal with many of the ‘issues of the day’ through their scripts, from teenage pregnancy, adultery through to driving dangerously by texting whilst driving. We think effective story lines would bring certain financial matters to people’s attention.

BS4. What should be the content of generic financial advice? Which subjects should be included/excluded?

1. See our ‘vision’ suggestion above. Also, understanding that credit is not the right answer in every case will, we believe, be important.

BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?

1. We think this is relatively straightforward if, in principle, the new advice service sticks to generic matters and does not recommend specific products or providers. For example, our vision would include helping to understand :-

- That to pay their bills and go on holiday etc (generally speaking) people work and pay for these from income
- That at some stage they will want to stop working
- Stopping working means stopping earning, consequently a strategy is required to ensure that there will be enough income to pay the bills and go on holiday
- The extent to which Government pensions will go towards that income

- Helping to calculate the shortfall¹
- Explaining methods of bridging the gap e.g., joining company pension scheme, starting own pension or ISA saving, using property
- Explaining how to reduce expenditure in retirement to help bridge any gap
- **Not** recommending products or solutions but signposting where people can get help in building a strategy
- The focus is on awareness and planning, not building solutions.

2. Another example from our own experience is that we are often faced with this question - “What is this CTF thing all about?” In our vision the service would explain :-

- Why the Government has introduced the CTF
- The kind of costs with which families want to help their 18 year olds
- How the CTF works
- The importance of the stakeholder product and its inherent consumer protections
- How topping up the Government money can make such a difference
- How other (than parent) family members can help
- Signpost to providers and distributors

3. There are many other examples but we hope these two help answer the question.

BS6. What organisations and services should or could be expected to refer people to generic financial advice?

1. Almost anyone, in fact it is difficult to see why anyone, or any body should be restricted from making people aware of a generic advice service. Presumably there is no restriction on making people aware of the existence of the Citizens Advice Bureaux.

BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?

1. **NO.** It should be possible to make people aware of the generic bodies that can help. Any introduction to a commercial source would compromise the service. Where there should be a link is in ensuring that the simple, every day language we would want to be used by the generic advice service is also used by financial providers and others – i.e. a common language.

BS8. What qualifications/training do generic financial advisers need and where could the advisers be sourced from?

1. In simple terms, on a continuum that ranges : benefits – general household/personal finance matters – high art finance (e.g. investing in hedge funds) : the service should be able to explain how the first two work, including the interaction between work/benefits and saving/benefits and then be able to ‘signpost’ onwards. The advisers would have to be trained to be able to do this.

¹ This can be done in a relatively simple manner using a straightforward spreadsheet. It should include which bills will increase (!) in retirement.

2. We don't see that there would be a particular source for the recruitment of advisers. In any case we wouldn't want to jump to any conclusions at this stage before the scope of the service is established.

BS9. What are the legal implications of giving generic financial advice?

1. Ideally there should be none. That is certainly the case if regulated advice of hand-off to commercial firms is to be avoided – as we have recommended above.

2. However, once the scope of the service is agreed it will make sense to consider specific circumstances.

BS10. How would the creation of a new generic financial advice service materially affect advice providers?

1. We believe that it should help then enormously. The biggest cost in financial service product marketing relates to acquisition. If consumers are motivated to use a service that helps them understand and indeed *want* to engage in financial planning the acquisition costs should fall significantly. This is also true for financial firms.

2. We can see no downside.

C. Cost and funding

These questions are aimed at getting data on the costs and benefits of a generic advice service. As well as detailed costs, the Review Team is also interested in quantifying benefits, including individuals, wider society and different parts of the financial services industry.

CS1. To what extent should generic financial advice be free at the point of delivery?

1. Until the culture change that is required on the part of the public takes hold there will be no point in making a charge for this service. At this stage people do not necessarily understand or have the motivation to plan their finances – in that case they won't pay for something they don't value.

CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?

1. We are enthusiastic about the Resolution Foundation model that suggested the service be paid for jointly by Government and the financial services industry.

CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?

1. We believe that the case for individuals can be made relatively easy by showing examples and case studies of the benefits of successful financial planning.
2. Again we refer to the work carried out by the Resolution Foundation which showed that Government (i.e. the taxpayer) would see significant savings in benefit payments which would more than pay for the cost of the service.
3. We believe that the financial services industry would benefit significantly from lower acquisition costs.
4. Industries other than the financial services industry would benefit. In the context of financial capability/education, most often reference is made only to the financial services industry. However we would encourage the review to talk to other industries. For example we believe the Gas industry would welcome the end of payment by slot-meter. Furthermore we believe that virtually every industry would benefit from having more financially informed customers.
5. We see the improvement in financial capability as being of national importance – a real need, not a luxury. As such we think that employers should be encouraged to help as far as possible, perhaps building it into CSR activity as has been the case with such things as environmental issues or helping local schools.

CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?

1. We like the Resolution Foundation model.

CS5. How can the “generic” element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the “fact find”?

1. It may be useful to try to establish the amount of time regulated salespeople spend ‘prospecting’. In essence this is the activity we see being replaced by the generic advice service.

D. How can potential users be engaged?

These questions are aimed at getting evidence on how consumers can best be attracted to using a generic financial advice service, including how they can be motivated to take an interest in their financial affairs before ‘crisis intervention’ is needed.

DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?

1. It is the *motivation* of consumers that needs to be the focus of the work.

2. A sustained national awareness campaign is required. The campaign needs to make it clear that this is important, is a positive thing to engage with and has clear benefits. Furthermore we must **stop** telling people that things such as pensions are complex! There are indeed many complex rules relating to pensions but they are not the barrier to consumer motivation – studies make that clear. Having a **strategy** for your retirement is something that people can consider without being worried about complexity. Such a campaign would need to be timed to coincide with the new service being available.

DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?

1. See comments made earlier about drink driving, HIV/Aids, reading and writing.

DS3. What would an attractive brand for a generic financial advice service look like?

1. We wouldn't want to give a 'top of the head' answer to this question. Once the service has been specified along with the target audience, we would expect branding professionals to be employed.

DS4. Is there evidence on which engagement mechanism(s) is likely to work best overall and with different segments of the target population (e.g. which media, messages etc.)?

1. See our earlier answers about television and soap operas.

2. We would encourage consideration of the use of a programme like Newsround for targeting a younger audience. In particular we like the way simple language is employed to explain relatively complicated matters.

3. 'Signposting' will also be an important encouragement. Sure Start centres and other such places where help and support are available, particularly where interface is triggered by a certain life event/stage will help to make people aware of the service, ideally its ease of use and its importance.

DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?

1. We would want to research the answer to this with consumers.

2. Having said that we do think there is an opportunity to work with employers to provide space and time for the service to be available. Could the service be mobile and offer appointments in an employer's premises say one afternoon every month.

DS6. Do you believe a new generic advice provision would lead to a change in consumer behaviour? If so, how?

1. Yes. We believe consumers can be encouraged to change their behaviour given the right catalyst to change their motivation. The CTF is a good example.

E. What should the governance arrangements look like?

These questions are about the governance of generic financial advice provision on different bases, including a possible joint Government-industry venture

ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?

1. See our earlier answer regarding a new independent body to be appointed.

ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?

1. One way to measure this initiative would be to carry our consumer research at outset and then to update the research every year or every other year. This would reveal the effect of the service.

2. It may be possible to establish with providers of financial products whether take up of products is increasing over time and whether consumers are engaging more with advisers. However we are concerned that matters should not be too focused on the financial services industry. Other industries should be encouraged to be involved.

ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?

1. The independent body we suggest should exist should stand alone. We see 'normal' relationships with for example the FSA.

ES4. What mechanism should be used to collect and distribute any potential financial contributions e.g. from Government, industry etc?

1. We see Government contributions as being straightforward payments to fund the service. Industry would pay a levy with firms contributing according to their size as is the case with FSA funding.

2. See also our earlier comments about involving other than the financial services industry.

OPERATIONAL ISSUES

A. What is happening today, how and to whom?

These questions aim to find out what is currently available to help people manage their personal finances in the broadest sense. This includes advice on benefits and debt advice, as well as advice on product markets or specific products. The Review Team is also interested in evidence on similar services, delivered commercially or by the public or voluntary sector.

AO1. What advice service are you or your organisation responsible for delivering (this need not be generic financial advice)?

1. We do not give 'advice' in the regulated sense.
2. We do help consumers, IFAs and our customers with answers to their questions on both specific and generic matters relating to long term savings for children.

AO2. How is your advice delivered (e.g. face-to-face, web-based or telephone)?

1. Mainly via the telephone and the web.
2. We do have a small number of people who give face to face support to IFAs.

AO3. What is the legal, organisational and governance structure of your service?

1. We are regulated by the FSA..

AO4. How is your service funded?

1. Via charges on our products.

AO5. How did you identify your customer and their needs?

1. Through a comprehensive research programme, review of interactions between consumers, customers and our people, and the experience of our team.

B. What should the scope of national approach to generic financial advice be?

These questions are aimed at understanding the way that organisations currently approach targeting and delivery of generic financial advice provision.

BO1. Who is your target market, and how do you target them? How well do your actual clients match your expected target market?

1. Our target market is parents and families with (mostly very) young children.

2. Our brand is represented in 3,500 outlets up and down the country through our distribution partners such as Lloyds TSB, Mothercare, Boots and 15 Building Societies. We receive a significant number of visits to our website and we mail new parents via partnerships and list rental. We are regularly quoted in the printed press and appear frequently on broadcast media.

3. Our clients match the target market well. We think this is the result of:-

- Our research programme
- The language we use
- The distribution methods we use in that we endeavour to offer parents access to our services and products in places that are natural for them to visit.

4. We would be happy to share information on our methodology if that would be helpful. We don't suggest that it is 'the answer' and we recognise that our methods may not translate to be effective as regards generic advice.

BO2. How many people use your service per annum? What sorts of questions do they ask?

1. Our research suggests that 30% of all CTF accounts are placed after having considered The Children's Mutual. At around 700,000 births a year, that is in excess of 200,000 parents/guardians.

2. 40,000 different people visit our website every month.

3. We answer 1,000 phone calls on an average day.

BO3. Do you know how many people you turn away? If so, is this a capacity issue or have they come to the wrong place?

1. Not applicable as we don't offer advice.

BO4. If you operate some form of "triage" or "sifting" of calls, what criteria do you use?

Not applicable

BO5. What referral policy do you operate and how (e.g. boundaries with other organisations, relationship with others, potential issues to manage etc.)?

1. We find that most people come to us for a specific reason relating to their children and the CTF. We sometimes have to point people towards HMRC on CTF specifics and HMRC related queries on say Child Benefit.

BO6. What management information do you capture?

1. The information we capture is considerable and probably too much to list here in a way that would be useful. We strive to be expert at understanding consumers' reaction to planning their child's CTF or, for example, their future university budget. We look at what exercises their mind and what will influence their behaviour in a positive way – i.e. to engage in the CTF or the savings process and want to make a difference to their child's financial future.

2. In addition to all of the management information you would expect, we do spend considerable time segmenting our customer base and we use that information to refine our customer requirements. We actively encourage feedback loops where staff dealing with customers are asked to make senior management aware of processes, activities or answers that customers don't like. In some cases we have used this feedback to go so far as to ask (successfully) Government to change regulations.

BO7. How do you monitor quality and consistency of advice given (e.g. quality control, customer

1. Via training of our people and listening to their calls – sometimes live but mainly listening to recordings.

BO8. How do you deal with questions of liability for inappropriate advice (e.g. indemnity insurance)?

Not applicable

BO9. What level and type of training do you offer for your staff (e.g. costs, duration, suppliers, accreditation, etc.)?

Not applicable as no advice service.

BO10. What are the payment arrangements for your advisers (e.g. payment levels, sponsorship, pro bono etc.)?

Not applicable

BO11. Who are your advisers (background, length of service etc.)?

Not applicable

BO12. How do you ensure that you work effectively with other relevant organisations?

Not applicable

C. Cost and funding

These questions are aimed at getting data on the costs of different ways of delivering a generic financial advice service. As well as detailed costs, the Review Team is also interested in quantifying benefits, including to different parts of the financial services industry, individuals and wider society.

CO1. What is your operational model?

1. We are a manufacture and distributor of long term children's savings products. We are happy to answer people's questions on aspects related to our target market for which we make no charge. Our income is derived from charges on the products.

CO2. What is the cost structure of your service (e.g. set-up vs. ongoing; capital vs. operational)?

Not applicable as regards advice.

CO3. How long did it take to set up the service from blueprint to launch date? Did you pilot it first? If so, please provide details.

Not applicable

CO4. What are the components of your model and how do they relate to each other (e.g. telephone, face-to-face and online)?

See earlier answers

CO5. If you operate an online service, how many people use your site and do they have to pay to use it?

1. We make no charge to the 40,000 a month who visit our site.

CO6. Please provide information on the key statistics about your service (e.g. duration of session, average cost per session, approach to booking etc.).

Not applicable

CO7. How are you funded and what do you have to do to qualify (e.g. grant-in-aid, customer payments, commercial capital etc)? How much do customers pay?

See earlier answers

CO8. Are you able to quantify the social / public policy benefits of your service?

1. As we do not offer an "advice service" as such we couldn't quantify such benefits in that context.

2. We do believe that there are significant public policy/social benefits in respect of our overall operation and we would be happy to expand on those. We have not done so at this stage as such benefits do not relate specifically to an "advice service".

CO9. If your service is required to show a return on capital, what are the Internal Rate of Return (IRR) and payback periods?

Not applicable

CO10. How do you measure the effectiveness of your service?

Not applicable in terms of “advice services”.

D. How can potential users be engaged?

These questions are aimed at getting evidence on how consumers can best be attracted to using a generic financial advice service, including how they can be motivated to take an interest in their financial affairs before ‘crisis intervention’ is needed.

This section is not applicable to us.

DO1. What market research did you do before setting up your service?

DO2. What approach to advertising have you taken at the various stages of the development of your service (including an indication of level)?

DO3. How has your service evolved over time?

DO4. How did customer usage build up over time?

DO5. Do you have information about what your customers do as a result of your advice?